

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

MEETING OF BOARD OF DIRECTORS

ACCESS TO CAPITAL SUBCOMMITTEE

PUBLIC SESSION

October 18, 2012

The Access to Capital Subcommittee of the Board of Directors of the Rhode Island Economic Development Corporation (the “Corporation”) met on Thursday, October 18, 2012, in Public Session, beginning at 8:30 a.m., at the offices of the Rhode Island Economic Development Corporation located at 315 Iron Horse Way, Suite 101, Providence, Rhode Island, pursuant to notice of the meeting to all subcommittee members, and public notice of the meeting, a copy of which is attached hereto, as required by the By-Laws of the Corporation and applicable Rhode Island law.

The following subcommittee members were present and participated throughout the meeting as indicated: Subcommittee Chairperson Ms. Cheryl Snead, Mr. Jerauld Adams, Mr. Peter Dorsey, Mr. Stanley Weiss, Mr. Cap Willey, Ms. Janet Raymond, and Mr. Wayne Kezirian. Also present were: Mr. Earl Queenan, Mr. Adam Quinlan, Mr. Dan Price, Mr. Sean Esten and Ms. Stacy Farrell, members of the Corporation Finance Staff. Also present was Ms. René Pickett, legal counsel for the Corporation from the law firm of Shechtman Halperin

Savage, LLP.

Absent subcommittee members were: Mr. Anthony Rust, Mr. Richard DeRienzo and Mr. Mark Hayward.

Ms. Snead asked if there were any questions or comments regarding the minutes for the meeting held on July 19, 2012. There were no comments on the minutes.

Ms. Snead asked that Mr. Crawford of The Corporate Marketplace (“TCMPi”) provide the subcommittee with an update on his company which received a guarantee through the Job Creation program in January of 2012. Mr. Crawford provided a PowerPoint presentation to the Board (attached hereto as Exhibit A). Upon the conclusion of his presentation, Mr. Crawford noted that the company has doubled its staff in 2012, increasing from 20 employees to 41. When asked about his experience with the program, he suggested that perhaps he could provide some feedback regarding its structure. He explained that TCMPi may need to pay job creation penalties relating to the guarantee; however, he was willing to do so since he felt the hiring of additional employees at this point in the company’s growth may be premature. Mr. Crawford expressed concern over the program’s requirements regarding job creation and suggested that covenants for accessing capital could be based on the performance of the business, not the addition of a certain number of employees. He felt that requiring job creation could cause companies to ramp up too quickly in order to access capital. Mr. Crawford felt that his experience may have been unique due to the newness of the

program. He indicated that he experienced a significant delay in closing which he felt was due to the attempt of legal counsel to document a transaction that was new to both sides. When asked about his experience with the due diligence of staff, Mr. Crawford indicated that he experienced the same level of professionalism and due diligence as he has with other lending institutions in the past. He also noted that he felt the Finance department of the RIEDC was understaffed, considering the number of programs which it administers. Mr. Mark Girolamo, CFO of TCMPi added that there were costs associated with the capital reserve requirement aspect of the program that should be taken into consideration and reviewed to help prevent companies from suffering from this requirement.

The subcommittee thanked Mr. Crawford and Mr. Girolamo for their attendance and asked if they would be open to providing a similar presentation to the full RIEDC Board at a future meeting. They agreed to do so.

Mr. Queenan then provided an update regarding the Corporation's financing programs. He began with an overview of the State Small Business Credit Initiative ("SSBCI") funds. He reminded the subcommittee that \$13.1 million had been awarded to the state through this initiative. The initial tranche of funds totaled \$4.3 million and was distributed among three entities which included \$1.2 million to the Slater Technology Fund, \$1.4 million to BetaSpring, and \$1.5 million to the Small Business Loan Fund ("SBLF"). He stated that the

remainder of the \$4.3 million was to be used for administrative costs.

Mr. Queenan indicated that the SBLFC has funded two projects through the initiative to date for a total of \$300,000. An additional project was approved for \$500,000; however, the commitment did not close and has since expired. Mr. Queenan noted that there was approximately \$1 million in lending availability through the SBLFC at this time through the initiative. He explained that the program pipeline was virtually non-existent through SBLFC. He felt that this may be due to negative publicity surrounding the Corporation. Since the SBLFC has stalled with moving out funds, Mr. Queenan stated that the SBLFC Board recently voted to reallocate \$900,000 available through SBLFC to Slater in an effort to help expedite the receipt of the second tranche of funds. In order to receive the second tranche, 80% of the first tranche was required to be expended.

Mr. Queenan then discussed the existing portfolio of the SBLFC. He stated that at the present time the SBLFC had a performing portfolio containing 77 loans, with an outstanding balance of \$8.4 million. Mr. Queenan then reviewed the Bond Programs administered by the Finance staff. He stated that to date there were 31 RIEDC active Bonds which totaled \$1,432,510,000, and 18 Rhode Island Facilities Corporation ("RIIFC") Bonds, which totaled \$99,215,000. It was noted that 7 of the Bonds issued by RIIFC were insured by the Rhode Island Industrial Recreational Building Authority ("IRBA") for a total of \$24,415,000. The IRBA program is also administered by the RIEDC

Finance staff. Additionally, Mr. Queenan stated that there were 3 guarantees issued through the Job Creation Guarantee Program for a total of \$80,500,000.

Mr. Queenan then advised the subcommittee regarding the pipeline for each program and indicated that there were very few applicants for each program. The subcommittee continued to express concern over the lack of marketing relating to the finance programs. Mr. Queenan stated that he had been advised that a marketing strategy had been developed, but was put on hold at this time while the agency was under review. He noted that the lack of marketing compounded with the reluctance of businesses to take on debt in the current economic climate was affecting the utilization of the finance programs.

Ms. Snead noted that the next agenda item relating to a status update from BetaSpring in regards to funding received through the State Small Business credit Initiative (“SSBCI”), would be heard at the next subcommittee meeting, as the presenters for these items were unavailable for this meeting.

Staff next provided the subcommittee with a sample of an Economic Impact Analysis (attached hereto as Exhibit B) which was provided by an outside firm through the Corporation’s bidding process. It was noted that the Corporation currently was without a Research Department. All bonds and guarantees provided by the agency required an in depth Economic Impact Analysis per statute. Due to the diminished applicant pipeline, it was not anticipated that a full

time person would be hired to complete such a task, so staff would contract this work out on an ongoing basis. The subcommittee reviewed the material and determined it would be acceptable for filling this requirement.

The subcommittee then entered a discussion regarding the review and follow up of the current JCGP's portfolio. At the last meeting the subcommittee had asked that once a company received the guarantee, the Corporation's financial portfolio manager should provide quarterly reports to the subcommittee, as well as an annual report when the Corporation receives year-end financial statements from the company. Mr. Dorsey had provided staff with a template for annual reports (attached hereto as Exhibit C). After review, the subcommittee advised that the form was acceptable. Some wording changes were suggested as well as that space be provided for a comparative analysis of the projections which were provided as part of the original application and the actual year-end figures, in order to give the subcommittee a better sense as to whether the company was performing according to their original plan. These changes were noted by staff.

Ms. Snead addressed a prior concern of Mr. Kezirian regarding the subcommittee's entering into executive session to discuss the JCGP applicants. As a result of the concerns outlined in the prior meeting, staff developed a slide (attached hereto as Exhibit D) which outlines the request of the company and gives a brief overview of the

company background which could be used going forward in public session. There was a consensus to approve this item going forward by the subcommittee.

Ms. Snead noted that the next meeting of the subcommittee is scheduled for Thursday, November 8, 2012.

There being no further business in public session, the meeting was adjourned at 10:07 a.m., upon a motion duly made by Mr. Weiss and seconded by Ms. Raymond, which was approved unanimously.

Secretary